
PROPELLER: A FORCE FOR SOCIAL INNOVATION

FINANCIAL STATEMENTS

DECEMBER 31, 2013



A Professional Accounting Corporation

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PROPELLER: A FORCE FOR SOCIAL INNOVATION

FINANCIAL STATEMENTS

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Propeller: A Force for Social Innovation

Report on the Financial Statements

We have audited the accompanying financial statements of Propeller: A Force for Social Innovation (the Organization), which comprise the statement of financial position as of December 31, 2013, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Propeller: A Force for Social Innovation as of December 31, 2013 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2014, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance.

Postbethwaite & Nettville

Metairie, Louisiana
June 20, 2014

PROPELLER: A FORCE FOR SOCIAL INNOVATION

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2013

ASSETS

Current assets:

Cash and cash equivalents	\$	78,361
Cash - restricted		397,153
Grant receivable		76,132
Prepaid expenses		8,374
		<hr/>
Total current assets	\$	<u>560,020</u>

LIABILITIES AND NET ASSETS

Current liabilities:

Accounts payable	\$	1,456
Accrued expenses		13,216
Grants and allocations payable		200
Payroll and related liabilities		6,550
		<hr/>
Total current liabilities		<u>21,422</u>

Unrestricted net assets		141,445
Temporarily restricted net assets		397,153
		<hr/>
Total net assets		<u>538,598</u>
		<hr/>
Total liabilities and net assets	\$	<u>560,020</u>

The accompanying notes are an integral part of this financial statement.

PROPELLER: A FORCE FOR SOCIAL INNOVATION

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<u>REVENUES AND SUPPORT</u>			
Grants	\$ 10,874	\$ 594,422	\$ 605,296
Contributions	21,155	-	21,155
Special event (net of direct costs of \$8,521)	21,269	-	21,269
Other	5,590	-	5,590
Net assets released from restriction	<u>197,269</u>	<u>(197,269)</u>	<u>-</u>
Total revenues and other support	<u>256,157</u>	<u>397,153</u>	<u>653,310</u>
<u>EXPENSES</u>			
Communications	218	-	218
Dues and subscriptions	1,450	-	1,450
General and administrative	6,957	-	6,957
Insurance	2,868	-	2,868
Legal and professional fees	7,226	-	7,226
Meals and Entertainment	9,652	-	9,652
Program services	68,234	-	68,234
Rent	6,313	-	6,313
Salary	<u>153,889</u>	<u>-</u>	<u>153,889</u>
Total expenses	<u>256,807</u>	<u>-</u>	<u>256,807</u>
Change in net assets	(650)	397,153	396,503
<u>NET ASSETS AT BEGINNING OF THE YEAR</u>	<u>142,095</u>	<u>-</u>	<u>142,095</u>
<u>NET ASSETS AT END OF THE YEAR</u>	<u>\$ 141,445</u>	<u>\$ 397,153</u>	<u>\$ 538,598</u>

The accompanying notes are an integral part of this financial statement.

PROPELLER: A FORCE FOR SOCIAL INNOVATION

STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2013

OPERATING ACTIVITIES

Change in net assets	\$ 396,503
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Increase in grant receivable	(14,000)
Decrease in prepaid expenses	3,626
Increase in accounts payable	1,240
Increase in accrued expenses	16,829
Decrease in deferred revenue	(40,000)
Net cash provided by operating activities	<u>364,198</u>
Net increase in cash	364,198
Cash and cash equivalents, beginning of year	<u>111,316</u>
Cash and cash equivalents, end of year	<u><u>\$ 475,514</u></u>
Cash and cash equivalents is comprised of:	
Cash and cash equivalents, unrestricted	\$ 78,361
Cash and cash equivalents, restricted	<u>397,153</u>
	<u><u>\$ 475,514</u></u>

The accompanying notes are an integral part of this financial statement.

PROPELLER: A FORCE FOR SOCIAL INNOVATION

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

Organization

Propeller: A Force for Social Innovation (formerly Social Entrepreneurs of New Orleans, Inc.) (the Organization) is a 501 (c) (3) non-profit corporation incorporated on August 26, 2008 under the laws of the State of Louisiana. The Organization's mission is to drive social, environmental, and economic impact in New Orleans by incubating early-stage ventures that have the potential to solve the city's most pressing issues. At the heart of the Organization's mission and impact lies the Social Venture Accelerator, a ten month fellowship that connects change-makers with the resources needed to make change happen faster.

Basis of Presentation

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Classification of Net Assets

Financial Accounting Standards Board Codification No. 958 entitled "Not-For-Profit Entities" requires that net assets and changes in net assets be reported for three classifications—permanently restricted, temporarily restricted and unrestricted—based on the existence or absence of donor imposed restrictions of the assets to a particular purpose. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

- Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.
- Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time.
- Permanently restricted net assets - Net assets subject to donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled and removed by actions of the Organization pursuant to those stipulations. The Organization has no permanently restricted net assets.

PROPELLER: A FORCE FOR SOCIAL INNOVATION

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (continued)

Revenue Recognition

Grants and contributions are recorded as unrestricted, temporarily restricted, or permanently restricted depending on the existence and/or nature of any restrictions. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments with initial maturity of three months or less to be cash equivalents. The Organization had no cash equivalents at December 31, 2013. At December 31, 2013, the Organization had cash deposits in excess of federally insured limits of \$231,486.

Contributed Services

Members of the Organization's board of directors and other volunteers have made significant contributions of their time to assist in the Organization's operations and related charitable programs. The value of this contributed time is not recorded in these financial statements because it is not susceptible to objective measurement or valuation.

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, the Organization may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Organization and various positions related to the potential sources of unrelated business taxable income (UBIT). The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities at December 31, 2013. The Organization's tax returns for the years ended December 31, 2012, 2011, and 2010 remain open and subject to examination by taxing authorities.

PROPELLER: A FORCE FOR SOCIAL INNOVATION

NOTES TO FINANCIAL STATEMENTS

2. Grants

Propeller received funding from the following sources for the year ended December 31, 2013:

Corporate	\$ 113,000
Foundations	324,750
State of Louisiana	<u>167,546</u>
Total grants	<u>\$ 605,296</u>

3. Economic Dependency

The primary sources of revenues for Propeller are grants and contributions provided through various funding agencies. The continued operations of the Organization are dependent upon the renewal of grants and contributions from current funding sources as well as obtaining new funding.

4. Restricted Assets

Temporarily restricted net assets at June 30, 2013 of \$397,153 consists of \$200,000 restricted for Public Health and Community Development Social Accelerator program in 2014, \$70,000 restricted to support the Social Venture Accelerator program in 2014, \$79,567 restricted for school food and public health initiatives in 2014, and \$47,586 restricted for technical assistance related to marketing and other non-programmatic operational costs and professional development.

5. Special Events

During the year ended December 31, 2013, the Organization held its annual gala on May 23, 2013 in celebration of its 2012-2013 Propeller Accelerator Fellows. The funds raised from the gala support the Social Venture Accelerator, the Alumni Program, and related operational expenses.

6. Related Party Lease

The Organization leases its operating facilities from HUB NOLA, LLC, an affiliate, under a membership agreement which expires on December 31, 2014. Total lease expense for the year ended December 31, 2013 was \$6,000.

As of December 31, 2013, the future minimum lease payments required under the membership agreement for the year ending December 31, 2014 total \$6,000.

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NOTES TO FINANCIAL STATEMENTS

7. Line of Credit

The Organization maintained an unsecured line of credit in the amount of \$25,000 with a financial institution. Interest on the line is based on the *Wall Street Journal* prime rate which was 7.75% at December 31, 2013. At December 31, 2013, the balance on the line of credit was \$0. The line of credit was not used during 2013.

8. Subsequent Events

Management of the Organization has evaluated subsequent events through the date the financial statements were available to be issued, June 20, 2014 and noted the following item for disclosure.

Management terminated the line of credit on April 24, 2014.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors
Propeller: A Force for Social Innovation

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Propeller: A Force for Social Innovation (the Organization), which comprise the statement of financial position as of December 31, 2013 and the related statements of activities and changes in net assets, functional expenses, and cash flows, and the related notes to the financial statements, and have issued our report thereon dated June 20, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free of material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Postlethwaite & Nettville

Metairie, Louisiana
June 20, 2014